FDIC State Profile

Winter 2004

Missouri

Missouri's manufacturing sector remains weak despite modest improvement in 2004.

- Following three quarters of growth, Missouri's total employment declined in the third quarter of 2004, driven by reductions in government employment. Despite the largest job growth in 15 years in the second quarter, Missouri has still lost 23,000 net jobs in the past five years (See Chart 1).

- Losses in the manufacturing sector have been especially severe. Although nearly 5,000 manufacturing jobs were recovered in the past year, the sector has lost more than 57,000 jobs in the past five years. Job losses have been primarily in the fabrication of durable goods such as metals, machinery, and electronic equipment.

- Reflecting the recent job losses, Missouri's unemployment rate increased to 5.5 percent in the third quarter, the highest level in four quarters.

Banking performance remains solid.

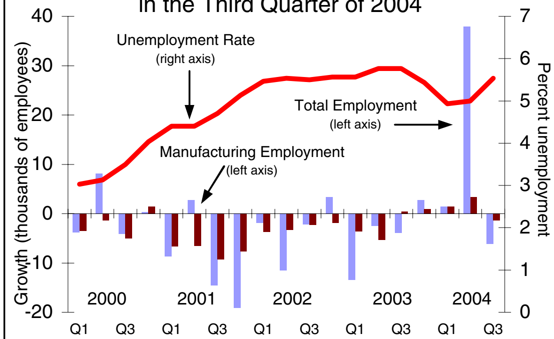
- As Missouri's economy has rebounded, so have bank asset quality and loan volume (See Table 1). After oscillating between 67.9 and 68.6 percent over the previous four years, loans as a percent of assets surged 2.6 percentage points from one year ago to 71.0 percent at third quarter 2004.

- The proportion of unprofitable, established institutions in Missouri was just 1.9 percent in the third quarter of 2004.

The long-term trend of core funding erosion has resumed.

- In the 1990s, a confluence of competitive factors, ranging from rapidly increasing stock prices to strong deposit growth in large banks and credit unions, made core deposits more difficult to acquire for community institutions.[1] As a result, core funding in these institutions dropped steadily in the 1990s (See Chart 2).

Chart 1: Missouri's Employment Declined in the Third Quarter of 2004

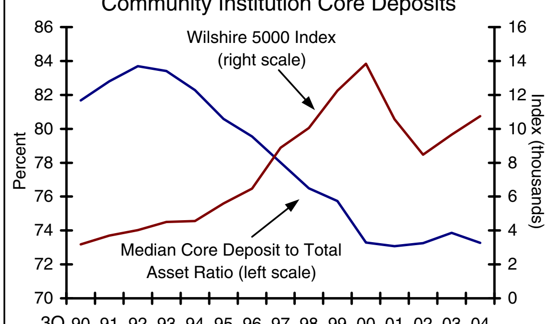


Source: Bureau of Labor Statistics/ Haver Analytics

Asset Quality Improved and Capital Levels and Earnings Both Increased					
	September				
	2004	2003	2002	2001	2000
Capital					
Tier 1 Leverage Capital Ratio	9.16	9.02	8.91	8.87	9.03
Asset Quality					
Past Due Loan Ratio	1.52	1.62	1.84	2.04	1.84
Net Charge-off Rate	0.07	0.08	0.09	0.10	0.05
Earnings					
Pretax Return on Assets	1.49	1.48	1.48	1.32	1.50
Net Interest Margin	3.98	3.89	4.04	3.88	4.12

Source: FDIC. Figures are median values.

Chart 2: The Stock Market Again Is a Lure for Community Institution Core Deposits



Source: FDIC, insured community banks and thrifts, Haver Analytics

[1] "Core deposits" include savings, checking, and money market accounts, as well as time deposits of less than $100,000. These are usually considered more stable funding sources.

- Stock market weaknesses in 2001 and 2002 helped to stabilize core funding temporarily, as funds flowed from the markets into the safety of insured deposits.

- However, recent improvement in the stock markets again is luring funds out of community banks, and the long-term downward trend in core funding appears to have resumed. After showing slight increases in 2002 and 2003, core funds as a percent of community bank assets declined to 73.3 percent in third quarter 2004.

The St. Louis industrial real estate market remains weak but stable.

- Employment in the manufacturing and warehousing sectors reported modest gains during third quarter 2004, but have yet to approach the levels seen prior to the economic downturn.

- As such, vacancy rates for the industrial sector remain elevated, but declined slightly in the third quarter. Continued weakness is expected to cause vacancy rates to rise slightly in 2005 to 9.9 percent (See Chart 3).

- Warehouse space, the largest component for the industrial market, experienced the largest declines in vacancy rates, while manufacturing space vacancy rates increased.

Kansas City's office market remained soft in 2004 but is expected to improve this year.

- Vacancy rates in the office sector remained virtually unchanged at 19.4 percent in third quarter 2004, down from 19.5 percent in the previous quarter (See Chart 4).

- While **Kansas City's** office-using employment is expected to increase by just 1.2 percent in 2004, expectations of 3.3 percent growth in 2005 should help to fill some vacant office space.

- Growth in office employment, coupled with minimal new office construction, is expected to push office vacancy rates down to 18.4 percent by the end of 2005 and to about 16 percent in 2006.

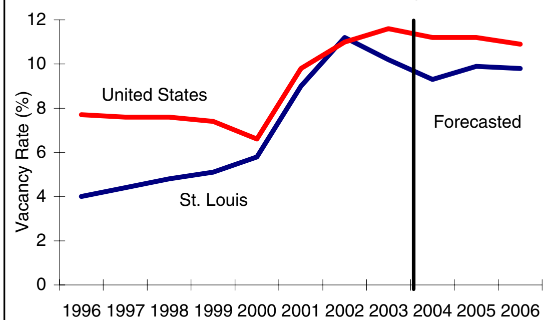
The number of rural bank offices has increased slightly despite depopulation.

- With declining population, weak economic growth and lower levels of new bank activity, the rate of loss of hometown institutions in rural Missouri slightly exceeds that of Missouri's urban areas – 4.1 percent versus 3.4 percent per year over the past decade.

- However, rural Missouri has seen an increase in its banking presence despite a net loss of 61 headquartered institutions. The number of banking offices operating in rural Missouri increased from 421 to 479 in the 10 years ending June 2004 (See Chart 5).

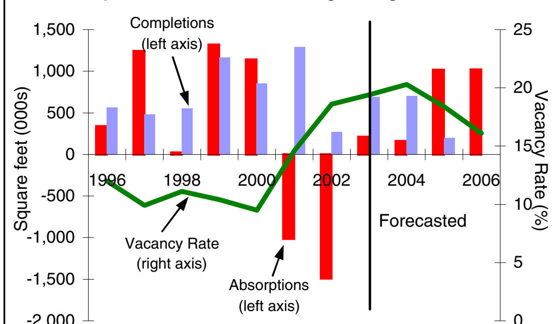
- Faced with lower market growth prospects and seeking opportunity, rural Missouri institutions are increasingly operating branches in urban areas. As a result, the proportion of rural bank branches located in urban areas has increased from 6.5 percent in 1994 to 17.8 percent in 2004. Currently, 32 rural institutions, representing 27.1 percent of all rural Missouri institutions, are operating 67 branch offices in urban areas.

Chart 3: The St. Louis Industrial Market Is Expected to Remain Stable Through 2006



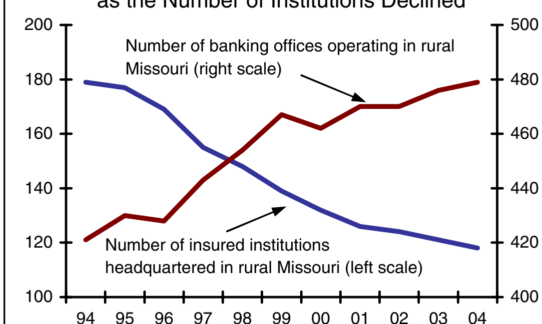
Source: TortoWheaton Research

Chart 4: Kansas City's Office Market Is Expected to Recover Beginning in 2005



Source: TortoWheaton Research

Chart 5: Banking Offices in Rural Missouri Increased as the Number of Institutions Declined



Source: FDIC. Bank and thrift summary of deposit data

Missouri at a Glance

General Information	Sep-04	Sep-03	Sep-02	Sep-01	Sep-00
Institutions (#)	372	376	385	388	401
Total Assets (in thousands)	88,043,514	84,561,122	77,529,776	72,805,433	69,042,166
New Institutions (# < 3 years)	5	6	11	13	20
New Institutions (# < 9 years)	35	36	37	35	33

Capital	Sep-04	Sep-03	Sep-02	Sep-01	Sep-00
Tier 1 Leverage (median)	9.16	9.02	8.91	8.87	9.03

Asset Quality	Sep-04	Sep-03	Sep-02	Sep-01	Sep-00
Past-Due and Nonaccrual (median %)	1.52%	1.62%	1.84%	2.04%	1.84%
Past-Due and Nonaccrual >= 5%	33	29	41	45	38
ALLL/Total Loans (median %)	1.19%	1.22%	1.19%	1.18%	1.18%
ALLL/Noncurrent Loans (median multiple)	2.40	2.12	1.83	1.73	2.17
Net Loan Losses/Loans (aggregate)	0.20%	0.28%	0.25%	0.28%	0.17%

Earnings (Year-to-Date Annualized)	Sep-04	Sep-03	Sep-02	Sep-01	Sep-00
Unprofitable Institutions (#)	10	10	10	25	19
Percent Unprofitable	2.69%	2.66%	2.60%	6.44%	4.74%
Return on Assets (median %)	1.06	1.10	1.08	0.98	1.06
25th Percentile	0.75	0.74	0.67	0.62	0.73
Net Interest Margin (median %)	3.98%	3.89%	4.04%	3.88%	4.12%
Yield on Earning Assets (median)	5.54%	5.90%	6.62%	7.95%	8.16%
Cost of Funding Earning Assets (median)	1.55%	1.92%	2.64%	4.09%	4.10%
Provisions to Avg. Assets (median)	0.11%	0.12%	0.14%	0.13%	0.13%
Noninterest Income to Avg. Assets (median)	0.64%	0.63%	0.58%	0.54%	0.51%
Overhead to Avg. Assets (median)	2.75%	2.71%	2.67%	2.67%	2.73%

Liquidity/Sensitivity	Sep-04	Sep-03	Sep-02	Sep-01	Sep-00
Loans to Deposits (median %)	84.75%	80.52%	81.17%	80.01%	81.56%
Loans to Assets (median %)	71.00%	68.43%	67.85%	67.94%	68.64%
Brokered Deposits (# of Institutions)	76	61	58	48	38
Bro. Deps./Assets (median for above inst.)	2.29%	2.14%	1.97%	1.16%	1.01%
Noncore Funding to Assets (median)	16.62%	15.58%	16.08%	15.39%	15.95%
Core Funding to Assets (median)	72.10%	72.83%	72.42%	72.67%	72.90%

Bank Class	Sep-04	Sep-03	Sep-02	Sep-01	Sep-00
State Nonmember	254	256	261	264	271
National	45	46	47	46	48
State Member	42	42	42	42	42
S&L	16	16	18	18	20
Savings Bank	15	15	16	17	18
Stock and Mutual SB	0	1	1	1	2

MSA Distribution	# of Inst.	Assets	% Inst.	% Assets
No MSA	227	27,059,266	61.02%	30.73%
Kansas City MO-KS	55	29,380,761	14.78%	33.37%
St Louis MO-IL	50	23,917,358	13.44%	27.17%
Springfield MO	23	4,566,325	6.18%	5.19%
Joplin MO	8	1,325,030	2.15%	1.50%
Columbia MO	5	1,641,335	1.34%	1.86%
St Joseph MO	4	153,439	1.08%	0.17%